

Action Taken During 2021 Spring National Meeting

Date Released to Executive (EX) Committee and Plenary Members:

April 15, 2021

Objections Due from Executive (EX) Committee and Plenary Members:

April 26, 2021

The following technical items were adopted by the Financial Condition (E) Committee during the 2021 Spring National Meeting:

1. Accounting Practices and Procedures Manual (AP&P Manual) Changes and Related Items

- Adopted the following nonsubstantive revisions to statutory accounting guidance:
 - *Statement of Statutory Accounting Principles (SSAP) No. 5R—Liabilities, Contingencies and Impairments of Assets, SSAP No. 72—Surplus and Quasi-Reorganizations, and SSAP No. 86—Derivatives: Revisions reject Accounting Standards Update (ASU) 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* for statutory accounting. (Ref #2020-41)
 - *SSAP No. 25—Affiliates and Other Related Parties: Revisions clarify that an ownership greater than 10% in a reporting entity results in a related party designation, regardless of any disclaimer of control or affiliation. Additionally, the agenda item requires disclosure of such instances and identification of an insurer’s ultimate controlling party, as requested by the Group Solvency Issues (E) Working Group.* (Ref #2019-34)
 - *SSAP No. 26R—Bonds:*
 - Revisions clarify that perpetual bonds are within the scope of SSAP No. 26R, and they are subject to the yield-to-worst concept. Additionally, perpetual bonds that possess a future call date will retain bond accounting—i.e., accounted for at amortized cost. However, if a perpetual bond does not possess a future call date, fair value accounting is required regardless of NAIC designation. (Ref #2020-22)
 - Revisions expand the current called bond disclosures to also include bonds terminated early through a tender offer. (Ref #2020-32)
 - *SSAP No. 32R—Preferred Stock and SSAP No. 86: Revisions direct that publicly traded preferred stock warrants are in the scope of SSAP No. 32R, and they shall be reported at fair value.* (Ref #2020-33)
 - *SSAP No. 43R—Loan-Backed and Structured Securities: Revisions incorporate minor scope modifications to reflect recent changes to the Federal Home Loan Mortgage Corporation (Freddie Mac) Structured Agency Credit Risk (STACR) and Federal National Mortgage Association (Fannie Mae) Connecticut Avenue Securities (CAS) programs, which allow credit risk transfer securities from these programs to remain in the scope of SSAP No. 43R when issued through a real estate mortgage investment conduit (REMIC) structure.* (Ref #2020-34)
- Appendix B—Interpretations (INTs) of Statutory Accounting Principles:
 - *Extended INT 20-03: Troubled Debt Restructuring Due to COVID-19 and INT 20-07: Troubled Debt Restructuring for Certain Debt Instruments Due to COVID-19* through Jan. 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates.
 - *INT 20-10: Reporting Nonconforming Credit Tenant Loans (CTLs):* This INT allows nonconforming CTLs to continue to be reported on Schedule D Part 1 – Long-Term Bonds if filed with the NAIC Securities Valuation Office (SVO) by Feb. 15, 2021. The provisions within this INT and the ability to continue reporting nonconforming CTLs on Schedule D Part 1 with an SVO-assigned NAIC designation are limited time exceptions that extend only to Oct. 1, 2021.
 - *INT 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms:* This INT provides a 60-day extension from the 90-day rule for uncollected premium balances, bills receivable, and amounts due from agents and for policies directly affected by the noted events. This INT expired Feb. 28, 2021.

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- *Appendix D—Nonapplicable GAAP Pronouncements:* Revisions reject ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as not applicable for statutory accounting. (Ref #2020-42)
- *Appendix F—Policy Statements:* Revisions to the NAIC *Policy Statement on Maintenance of Statutory Accounting Principles* clarify the existing process regarding the Working Group’s issuance and adoption of accounting interpretations. (Ref #2020-39)
- *Preamble:* Revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state: 1) shall be reflected in the financial statements filed with the NAIC; and 2) are the financial statements subject to independent audit requirements. (Ref #2020-40)

2. Financial Condition Examiners Handbook Changes, Other Examination Tools and Related Items

- None

3. Financial Analysis Handbook Changes and Related Items

- None

4. Implementation Guide for the Annual Financial Reporting Model Regulation (#205) Changes and Related Items

- None

5. Annual Statement Instructions Changes and Related Items

- Added a Health Care Receivables Supplement, Exhibit 3 and 3A, to the Life\Fraternal Annual Statement and added guidance to the Exhibit 3A of the Health Annual Statement. (2020-32BWG)
- Modified Annual Statement Lines (ASLs) on the property/casualty (P/C) Underwriting and Investment (U&I) Exhibits, Exhibit of Premiums and Losses and Insurance Expense Exhibit (IEE) as well as health ASL categories for consistency. (2020-33BWG)
- Added definitions to the P/C blank for the Occupational Accident, Fiduciary Liability, Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Kidnap & Ransom Liability and Tuition Reimbursement Plans products to the appropriate line of business categories in the appendix. (2020-34BWG)
- Expanded the number of characters used from seven to 10 in the investment line categories for the investment schedules. Added line categories for Unaffiliated Certificates of Deposit and Exchange Traded Funds. Split the line categories for Mutual Funds, Investment Unit Trusts and Closed-End Funds into lines indicating if designation was assigned by the SVO. Made changes to Summary Investment Schedule, Summary by Country and Schedule D, Part 1A (Section 1 and Section 2) to reflect the additional line categories. (2020-35BWG)
- Modified the General Schedules Investment Instructions and Schedule DB General Instructions to reflect treatment of publicly traded stock warrants as being in the scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R* and reporting as common and preferred stock (SAPWG 2020-33). (2020-36BWG)
- Added a Schedule Y, Part 3 to capture all entities with ownership greater than 10%, the ultimate controlling parties of those owners and other entities that the ultimate controlling party controls (SAPWG 2020-34). (2020-37BWG)
- Added columns to the Accident and Health Policy Experience Exhibit, removed lines distinguishing between with and without contract reserves, added new product lines, and eliminated the summary tables. Added state reporting to be required with the annual 2022 filing. (2020-38BWG)

6. Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) and Related Items

- Adopted the following amendments to the P&P Manual:
 - Updated the financial modeling instructions for residential mortgage-backed securities (RMBS)/commercial mortgage-backed securities (CMBS) for non-legacy securities and mappings to NAIC designation categories.
 - Updated the list of NAIC credit rating providers (CRPs) to reflect nationally recognized statistical ratings organization (NRSRO) changes.

7. NAIC Risk-Based Capital (RBC) Formula Changes and Related Items

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- Adopted edits to the bond structure for the health and property and casualty RBC.
- Adopted edit for clarification to PR027 interrogatories.
- Adopted edits to remove operational risk factor from Rcat.

8. *Uniform Certificate of Authority Application (UCAA), Company Licensing Best Practices Handbook and Related Items*

- Adopted edits to its 2021 charges to disband the Biographical Third-Party Review (E) Subgroup.

9. *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual (ORSA Guidance Manual) and Related Items*

- None

10. *Receiver's Handbook for Insurance Company Insolvencies and Related Items*

- None

11. *Process for Evaluating Qualified and Reciprocal Jurisdictions and Related Items*

- None

12. *NAIC Enterprise Risk Report (Form F) Implementation Guide and Related Items*

- None

13. *Troubled Insurance Company Handbook Changes and Related Items*

- None

14. *Risk Retention Group (RRG) Regulatory Tools and Related Items*

- None

15. *Group Capital Calculation Instructions and Template*

- None